

BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN

Strategic Energy Assessment 2022
For the Years January 1, 2016 through December 31, 2022
Docket No. 5-ES-108

COMMENTS OF THE RETAIL ENERGY SUPPLY ASSOCIATION

Pursuant to the schedule established by the Commission in this case, the Retail Energy Supply Association ("RESA") submits the following Comments regarding the Draft Strategic Energy Assessment ("SEA") of the Wisconsin Public Service Commission ("Commission") and urges the Commission to consider the myriad benefits that a well-structured competitive retail electricity market will provide the state's consumers.

Introduction

The Retail Energy Supply Association ("RESA")¹ is a trade association of competitive retail electric and natural gas service providers that support the creation and advancement of competitive energy markets throughout the country. RESA's members represent the interests of a broad and diverse group of retail energy suppliers who share the common vision that competitive retail energy markets deliver a more efficient, customer-oriented outcome than a price-regulated utility structure. RESA members are active in retail natural gas markets and provide service to Wisconsin commercial, industrial and governmental customers. RESA's members have existing and potential business interests in Wisconsin that will be affected by the outcome of this inquiry.

RESA filed comments in a prior SEA process and once again commends the Commission for inviting comments on the SEA.

RESA believes that the Commission should actively consider how electric restructuring and a commitment to the development of a well-functioning competitive market model could address the Commission's concerns about the serious problem facing Wisconsin electricity customers, especially larger users that employ large numbers of people which are the economic engine of Wisconsin. Wisconsin electricity customer once enjoyed enviably low rates but now, as the SEA acknowledges, pay the highest rates in a large 12-state Midwest region

¹ The comments expressed in this filing represent the position of the Retail Energy Supply Association (RESA) as an organization but may not represent the views of any particular member of the Association. Founded in 1990, RESA is a broad and diverse group of more than twenty retail energy suppliers dedicated to promoting efficient, sustainable and customer-oriented competitive retail energy markets. RESA members operate throughout the United States delivering value-added electricity and natural gas service at retail to residential, commercial and industrial energy customers. More information on RESA can be found at www.resausa.org.

Competitive markets provide customers with the means of actively controlling their energy costs through access to innovative products and services not available under the traditional monopoly-protected price-regulated model. It also provides new opportunities for electricity customers to obtain even more information about how and when they use electricity and the ultimate impact of their consumption behaviors. Most importantly, a competitive market for electricity helps to reconcile the interests of suppliers and customers more effectively than can an administrative process. Indeed, at the core of the regulated monopoly model is the assumptions that suppliers and customers will be pitted against one another in a highly litigious environment.

RESA encourages the Commission to commence a full examination of whether electric industry restructuring and the introduction of competition can help the State of Wisconsin meet its future energy needs. As will be discussed in greater detail below, RESA recommends that the Commission initiate a broad investigation into the potential benefits associated with electric industry restructuring. Unfortunately, the Commission did not act on our suggestion along these lines in our comments in SEA 2018.

As part of that investigation, RESA recommends that the Commission delve into a variety of issues, solicit comments and recommendations from interested parties, with the goal of making recommendations to policymakers on whether electric industry restructuring and the introduction of competition should be considered as a means for meeting the future energy needs of Wisconsin electric consumers.

The Benefits of Electricity Retail Competition

Electricity competition at retail is not an aberration or an untried approach. Millions of commercial, industrial and residential customers buy electricity supply that is priced in the market. They do so through bilateral contracts that can be tailored to the preferences of customers. And many do so through organized groups such as in municipal aggregation programs or through their own local wires utility.

The economic viability of Wisconsin business is customarily cited as a top priority of energy policy in Wisconsin. That is as it should be. RESA, experienced as it is with electricity and gas competition at the retail level, has seen benefits for customers that only retail electric choice can provide. Regulated monopoly cannot provide anything similar. Access to non-discriminatory delivery for competitively priced electricity is a key measure that Wisconsin can take to ensure that not only the creation and preservation of jobs improves, but also the retention of key businesses that exist today within the state are maintained. Giving each individual the ability to choose an electric product that best meets their needs is consistent with the objective allowing many Wisconsin businesses to expand and prosper.

A primary outcome of competitive electricity markets is greater efficiency that helps to lower costs overall. Market discipline is imposed on suppliers by giving consumers the flexibility to choose, among other things, an electricity supplier to attain the lowest costs possible. Under regulated monopoly customers are in a take-it-or-leave-it posture that put the supplier in a superior position and therefore less motivated to achieve efficiencies. That is human nature.

Introducing competitive forces allows consumers access to numerous retail providers that are best positioned to offer a multitude of pricing and product options designed to meet individual preferences. RESA's members do exactly that. For example, in a competitive retail market, consumers have the freedom to choose renewable and alternative energy products as well as energy efficiency, demand response, and a myriad of other unique and customized products and services. Introducing electric competition will ultimately improve utility efficiencies, accountability and customer service.

Wisconsin ended an examination regarding electric industry restructuring in early 2000. However, since that time competitive electricity markets in more than a dozen states, most of them in the northern industrial belt, have succeeded.

- Customers in states that have enabled the opportunity to choose their electric supplier have embraced this option. As of year-end 2014 in the contiguous 48 states and Washington DC,² nearly 16.9 million residential customer accounts were being served by competitive (non-utility) suppliers, as were over 2.9 million commercial and industrial accounts.³
- The total electricity load served by competitive (non-utility) suppliers in this same contiguous area as of year-end 2014 was approximately 796 million MWh on an annualized basis, about 21.2% of total electricity load. This represents 33% of all U.S. electricity consumed in the fourteen fully competitive jurisdictions (13 states and Washington DC).⁴
- As of year-end 2014, 12 of the 16 states⁵ west of the Mississippi River and north of the Ohio River, as well as the District of Columbia allowed full, robust customer choice to operate, accounting for 71.9% of the total electricity load of the northeastern tier of the nation.

The sorts of benefits we now take for granted in the once-monopoly style industries of telecommunications, natural gas and transportation are now being realized by millions of electricity customers in Illinois, Ohio, Pennsylvania, Texas and other states. Wisconsin has embraced the benefits of competition in telecommunications, natural gas and transportation but not yet those of electricity competition.

Effectively competing is how virtually all industries operate, and this should be no different in the provision of electricity. In well-functioning competitive markets, competitive retail suppliers have contracts with customers of all sizes, ranging from small businesses to major steel plants.

RESA Member companies have contracts with electric customers in other jurisdictions that can be month-to-month, three months, six months, one year, 18 months, two years, three years, and even longer. In addition, there are numerous service options available from competitive suppliers to meet customer's needs, resources, budget requirements, environmental or sustainability initiatives, and price

² DNV-GL, an internationally recognized data collection firm, periodically issues a compilation of electricity competition based on state-by-state analyses, the *DNV-GL Retail Energy Outlook*. The data cited in these comments are drawn from the Q1 2016 report.

³ A small portion of the total accounts and load served by competitive suppliers were in a number of states with limited choice opportunities.

⁴ *DNV-GL Retail Energy Outlook, Q1 2016*, and U.S. Energy Information Administration.

⁵ CT, DE, IL, IN, MA, ME, MD, MI, NH, NJ, NY, PA, OH, RI, VT and WI.

hedging strategies. These products can be individually customized to meet the business goals, risk appetite, and needs of all types of consumers.

For example, if customers are interested in budget certainty and avoidance of market volatility, competitive retail suppliers can offer them fixed-price contracts or savings off of the bundled utility rate. For customers that are inclined to have a price that more closely follows the underlying wholesale market, competitive retail suppliers create variable or indexed products specifically designed to meet that customer request. Similarly, for customers who want to be tied to a market index or pay prices that vary every hour, they can select such a product. On the other end of the product spectrum, in competitive markets suppliers offer fixed prices, products that have a set "strike price" where a fixed price is set once the market price achieves a certain pre-determined price and essentially every variation in between.

For customers who are interested in demand response and energy efficiency measures, or interested in selecting renewable energy resources or wish to support the building of new renewable energy power plants, competitive suppliers can offer green power products (wind solar, biomass, hydro, tidal, geothermal), the purchase of renewable energy credits (RECs), and other similar products. Numerous local and national surveys demonstrate that customers overwhelmingly want competition and a choice in their electric supplier so that customers are empowered to choose an electricity product best designed to meet their needs.

Retail Competition Is Reliable

RESA anticipates that the Commission may hear from others about a number of "special issues" affecting electricity. For example, some opponents will say electric companies have "fixed costs" they must cover by means of higher rates from captive customers for a variety of things. Just as we don't let cities or schools automatically raise taxes to cover their "fixed costs" we should ensure customers and businesses are protected and thus prohibit electric monopolies from doing the same thing. Competition will keep costs as low as possible and produce the benefits customers and policymakers are seeking across the United States:

- Advancements in reliability, conservation, renewable energy development, and the ability of customers to purchase green power and zero carbon products.
- Competition is a significantly better platform to promote demand response and energy efficiency than traditional cost-of-service regulation. Demand response refers to mechanisms that provide the tools and incentives for electricity customers to reduce their consumption at critical times or in response to market prices. In cases where consumers do not pay actual market prices, they have little or no incentive to reduce consumption (or defer consumption to later periods) during times when production costs are significantly higher. Since costs may be substantially higher at these times, the potential for savings should not be overlooked.
- Reliability is enhanced by competition. Since energy restructuring created open, competitive wholesale markets in many parts of the country, reliability was enhanced through the MISO &

PJM and operation of large wholesale markets. In addition, tens of billions of dollars in new transmission projects have been approved in those restructured regions. Further, the transmission and distribution systems remain a monopoly-regulated system under the regulation of the PSC. Reliability has improved markedly since open access regional wholesale markets have begun to operate, a fact documented in study after study and testified to by market participants.

Issues Addressed in the Competitive States

An examination of electricity competition by the Commission can draw on the lessons of how other states have actually addressed the various implementation issues that might be presented by some as insurmountable obstacles to electricity competition. Not only have all of these supposed problems been addressed, it is also the case that once having moved to the competitive market approach, incremental adjustments can be more easily made to address new issues or to correct mistakes.

Among these issues are:

- Unbundling of delivery and generation rates (something the Commission could do without moving to retail competition that would provide valuable information to consumers and help the Commission identify the extent to which utility generation investment is valued above the market price for capacity);
- Appropriate compensation to utilities for stranded costs (above market investment in generation assets);
- A transition period to phase-in customer choice;
- Data exchange among utilities, suppliers and customers;
- Default or provider of last resort supply service for residential and small business customers;
- Allocation of common costs;
- Sale or transfer to affiliates of generation assets;
- Reorganization of utilities and utility holding companies;
- Consolidate billing;
- Purchase of residential receivables; and
- Licensing and oversight of competitive suppliers and other market participants.

Conclusion

RESA appreciates the opportunity to provide Comments to the Commission. RESA encourages the Commission to carefully engage in a detailed examination of whether electric industry restructuring and the introduction of competition can help the State of Wisconsin meet its future energy needs. The Commission should not accede to those who might claim that no such examination would be fruitful or helpful. RESA maintains that competition in electricity markets fosters innovation, clean energy solutions, jobs, and competitive rates and enables customers to shop for innovative energy management solutions and helps lower costs and preserve jobs. RESA looks forward to the Commission's further deliberations and pledges to actively participate in any further examination,

debate, or dialogue regarding potential electric industry restructuring and introduction of customer choice and competition.

Respectfully submitted,

A handwritten signature in blue ink that reads "Tracy McCormick/hfu". The signature is written in a cursive style and is positioned above the printed contact information.

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July 8, 2016